Emailed February 27, 2006

Re: Docket # OP-1248
Concentrations in Commercial Real Estate Lending
Sound Risk Management Practices

Gentlemen:

While the rational for increased regulatory supervision of the current commercial real estate lending practices is understandable, the guidance as proposed will only provide additional regulatory burden and costs which will ultimately be passed on to the borrowers. These additional costs will also put our Community Bank at a disadvantage to our competitors who are not covered by the guidance. It is our belief that the result of adopting the proposed guidance lines will, in the long term, only result in a reluctance to meet the credit needs of the borrowers and communities in which those institutions that are covered operate.

In reviewing the guideline we find that many of the guidelines have already been adopted and are in practice in our bank. We do classify all loans by type, purpose, collateral as well as by NAICS code. Semi-annually a report of commercial borrowers by industry is prepared and presented to the Board of Directors. Concentrations, as defined in the guideline, are monitored and addressed. The additional requirements of the guidelines in the areas of risk assessment, monitoring CRE loans, and identifying and managing concentrations will, in our opinion, require enhancing our management information system and additional human resources to review all loans for a reclassification that will be cost prohibitive and in some instances unavailable. As an example of a classification that would be necessary in order to identify those CRE at risk are those CRE loans that are owner occupied. This is a large percentage of our CRE loans that are excluded from the category as defined by the guidance. Taking the time to review all CRE loans to identify those that are excluded would do nothing to enhance and improve this banks ability to improve the risk management of its portfolio. Given that the current risk management practices are adequate we do not see the need to implement additional practices.

While large institutions may already have the infrastructure and management information systems in place, implementation of the guidance requirements would create a significant impact for us. We do not feel that the implementation can be accomplished in a cost effective and timely manner. It is our position that if the proposed guidance is adopted that community banks be excluded. If included, perhaps an exempt asset or CRE loan level could be established. We would propose that banks with total assets less than $1 billion or CRE loans less than $500 million be exempt from the proposed guidance.

Sincerely Yours,

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